

1 **DIRECT TESTIMONY OF**

2 **CARLETTE L. WALKER**

RECEIVED

3 **ON BEHALF OF**

SEP 08 2009

4 **SOUTH CAROLINA ELECTRIC & GAS COMPANY**

PSC SC  
MAIL / DMS

5 **DOCKET NO. 2009-293-E**

6  
7 **Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.**

8 A. My name is Carlette L. Walker. My business address is 1426 Main  
9 Street, Columbia, South Carolina.

10 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

11 A. I am employed by SCANA Services, Inc. as Vice President for  
12 Nuclear Finance Administration. I am testifying on behalf of South  
13 Carolina Electric & Gas Company ("SCE&G" or the "Company").

14 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
15 **BUSINESS EXPERIENCE.**

16 A. I am a 1981 Cum Laude graduate of the University of South  
17 Carolina where I received a Bachelor of Science Degree in Accounting.  
18 Following graduation, I worked for two years in public accounting and  
19 became licensed as a Certified Public Accountant in the State of South  
20 Carolina. In 1983, I joined SCE&G's Internal Audit Department. After  
21 four years in Internal Audit, I accepted an accounting supervisory position  
22 with South Carolina Pipeline Corporation ("SCPC"). In 1994 I was

1 promoted to Manager of SCPC's accounting department and in 1997 I was  
2 promoted to the position of Controller for that Company. In 1998 I  
3 accepted the position of SCE&G's Assistant Controller - Electric  
4 Generation and in 1999 was promoted to Assistant Controller - SCE&G.  
5 Effective in 2002, my responsibilities as Assistant Controller were  
6 increased to include all SCANA regulated subsidiaries. In 2006, I was  
7 promoted to Corporate Compliance and Ethics Officer. In 2009, I assumed  
8 my current position as Vice President for Nuclear Finance Administration.

9 I am currently a member of the American Institute of Certified  
10 Public Accountants and the South Carolina Association of Certified Public  
11 Accountants.

12 **Q. HAVE YOU EVER TESTIFIED BEFORE THIS COMMISSION IN**  
13 **THE PAST?**

14 A. Yes. I have testified before the Public Service Commission of South  
15 Carolina (the "Commission") in several past proceedings.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. The purpose of my testimony is to sponsor Exhibit No. \_\_ (CLW-1),  
18 which is an updated schedule of capital costs for construction of V.C.  
19 Summer Nuclear Station Units 2 and 3 (the "Units"). This schedule has  
20 been modified from the schedule previously approved by the Commission  
21 to reflect the changes made to the construction schedule as more fully  
22 explained by Company Witness Byrne. I am also sponsoring Exhibit No.

1       \_\_\_ (CWL-2), which shows the relative changes to the capital costs  
2       components resulting from the construction schedule changes as compared  
3       to the capital costs schedule approved by the Commission in Order No.  
4       2009-104(A).

5       **Q.   WHAT REQUEST IS THE COMPANY MAKING IN THIS DOCKET**  
6       **WITH REGARD TO THE CAPITAL COSTS SCHEDULE?**

7       A.       SCE&G is requesting that the Commission approve Exhibit No. \_\_\_  
8       (CWL-1), specifically the line labeled Total Project Commitment, as the  
9       approved capital cost schedule for the Units going forward. This updated  
10      capital costs schedule is based on the Performance Management Baseline  
11      Schedule ("PMBS") that Mr. Byrne described in his testimony. The  
12      updated schedule also reflects changes in the schedules for incurring  
13      owner's cost and transmission cost as discussed in Mr. Byrne's testimony.

14      **Q.   WHAT IS THE AUTHORITY FOR THIS REQUEST?**

15      A.       As with the request for a modification of the construction schedule,  
16      changes to the approved capital cost schedule are authorized under S.C.  
17      Code Ann. § 58-33-270(E). Under that statute, such modifications to  
18      approved schedules of capital cost are appropriate so long as they are not  
19      the result of imprudence by the utility.

20      **Q.   WHAT IS THE BASIS FOR THE REQUEST TO MODIFY THE**  
21      **APPROVED CAPITAL COST SCHEDULE?**

1     A.           In Commission Order No. 2009-104(A), the Commission approved  
2           the Cumulative Project Cash Flow found on Exhibit F to the Combined  
3           Application ("Exhibit F") as the approved capital cost schedule for the  
4           project. Exhibit F also showed the anticipated capital cost of the plant and  
5           associated transmission, by year, broken down into the seven cost  
6           categories contained in the EPC Contract as well as owner's costs,  
7           transmission costs, and the forecasted amount of AFUDC to be incurred on  
8           capital costs not yet reflected in revised rates. This schedule also sets forth  
9           the capital cost contingency associated with the plant costs and  
10          transmission costs by year.

11                As a result of the modifications to the construction schedule  
12          contained in the PMBS, the contractors for the project, Westinghouse  
13          Electric Corporation, LLC and Shaw ("Westinghouse/Shaw") provided  
14          SCE&G with an updated project cash flow in April 2009. This schedule  
15          shows the changes in cash flow caused by the shifting of milestones  
16          associated with equipment deliveries and other changes in the construction  
17          schedule, as well as better information concerning the sequencing of  
18          progress payments to vendors while equipment is being fabricated. As to  
19          this latter point, the original cost schedules contained conservative  
20          assumptions as to the timing and amount of the progress payments that  
21          would be required. Westinghouse has now negotiated the purchase orders  
22          for the majority of the equipment for the project. The revised cost

1 schedules reflect the actual payment schedules under executed purchase  
2 orders, which in aggregate has shifted the cash flows associated with these  
3 progress payments further into the future than was assumed in the initial  
4 cost schedules.

5 SCE&G also prepared an adjusted schedule for incurring owner's  
6 costs for the project based on its work in refining the schedule of its  
7 activities as owner. In addition, SCE&G incorporated into its updated  
8 capital cost schedules the construction schedule modifications made by  
9 SCE&G's transmission planning department to reflect the revised schedule  
10 for transmission construction.

11 The Company has updated Exhibit F to account for these changes in  
12 timing and sequence of the anticipated construction expenditures for the  
13 Units, and to reformat the presentation of data to more closely track the  
14 terms of Order No. 2009-104(A) related to the administration of the  
15 contingency pool. Exhibit No. \_\_\_\_ (CLW-1) represents the updated capital  
16 costs schedule and includes all the above changes to the schedule for  
17 incurring capital costs. Exhibit No. \_\_\_\_ (CLW-2) is a reconciliation that  
18 shows the relative changes to the capital costs schedule comparing the  
19 updated schedule of capital costs to the schedule approved in Order 2009-  
20 104(A).

1   **Q.   ARE THERE OTHER CHANGES REFLECTED IN THESE NEW**  
2       **CASH FLOW PROJECTIONS?**

3   A.   Yes. The Craft Labor category under the EPC Contract reflects Shaw's cost  
4       of manual construction labor for the project. In reviewing the cost  
5       schedules for the project, Shaw determined that it had included in the Craft  
6       Labor category certain labor costs related to non-manual labor, *i.e.*, costs  
7       related to supervisory and technical personnel. Shaw has re-categorized  
8       these labor costs, along with the other updates in cost scheduling for the  
9       project. The shift in labor costs between these categories involves off-  
10      setting amounts of cost and does not change the Total Project Commitment  
11      as set forth on Exhibit No. \_\_\_\_ (CLW-1). Both these cost categories are  
12      subject to the same escalation factors under Order 2009-104(A) and so the  
13      shift in categories does not affect escalation.

14   **Q.   WHAT IS THE EFFECT OF THE REQUESTED MODIFICATIONS**  
15      **ON THE COSTS OF THE UNITS?**

16   A.       The PMBS and related changes in owner's cost schedules and other  
17      items have shifted the net forecasted cash flow schedule further into the  
18      future. However, the updated capital costs schedule does not modify or  
19      alter the established cost forecast for the project as approved in Order No.  
20      2009-104(A) of \$4,534,747,000 in 2007 dollars net of AFUDC. The  
21      Company intends to construct the Plant for this amount. In addition, all

1 modifications to forecasted cash flows are within the approved schedule  
2 contingencies provided for in Order No. 2009-104(A).

3 This change in the cash flow schedule does change the forecasted  
4 escalation related to the project because more of the project cost will be  
5 spent later in the project. This can be seen by reference to the March 2009  
6 Quarterly Report. The forecasted capital costs for the project that were  
7 presented in the March 2009 Quarterly Report were based on the same  
8 updated capital cost schedules that the Company is asking the Commission  
9 to adopt here. The March 2009 Quarterly Report compared escalation as  
10 forecasted in Order No. 2009-104(A) to the forecast based on the updated  
11 cost schedule. As noted in the March Quarterly Report, in the current  
12 projection, escalation (as distinct from AFUDC charges) accounted for a  
13 \$510 million increase in total project cash flows. Of this amount, \$392  
14 million related to changes in the applicable escalation rates, which are  
15 historical rates and continued to reflect the high escalation rates the  
16 industry experienced in the latter half of the 2003-2008 period. Changes in  
17 cost schedules accounted for \$118 million of the forecasted increase in  
18 escalation, compared to a total project cost forecast of \$6.9 billion  
19 including AFUDC.

20 **Q. ARE THE CAPITAL COSTS COMPONENTS IN THE UPDATED**  
21 **CAPITAL COSTS SCHEDULE WITHIN THE COST**

CONTINGENCIES AS APPROVED BY THE COMMISSION IN  
DOCKET NO. 2008-196-E?

Yes. All of the capital costs currently reflected in the updated capital costs schedule are within the approved capital cost scheduling contingencies as set forth in Order No. 2009-104(A).

**DO THE CHANGES TO THE CAPITAL COSTS SCHEDULE  
ALTER THE TOTAL COST FORECAST FOR THE PROJECT?**

No. The updated capital costs schedule does not modify or alter the established cost forecast for the project as approved in Order No. 2009-104(A) of \$4,534,747,000 in 2007 dollars net of AFUDC.

## CONCLUSION

## WHAT ARE YOU ASKING THIS COMMISSION TO DO?

The Company is requesting that the Commission approve, pursuant to S.C. Code Ann. § 58-33-270(E), the updated capital costs schedule in Exhibit No. \_\_\_\_ (CWL-1), and specifically the line entitled “Total Project Commitment” as the approved schedule of capital costs for the Units, subject to adjustment for escalation and net of AFUDC as provided for in Order No. 2009-104(A).

**DOES THIS CONCLUDE YOUR TESTIMONY?**

Yes, it does.



**RESTATED and UPDATED CONSTRUCTION EXPENDITURES**

(Thousands of \$)

**V.C. Summer Units 2 and 3 - Summary of SCE&G Capital Cost Components**

**Per Order 2009 104-A Adjusted**

	Total	Actual		Projected									
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Plant Cost Categories													
Fixed with No Adjustment													
Firm with Fixed Adjustment A													
Firm with Fixed Adjustment B													
Firm with Indexed Adjustment													
Actual Craft Wages													
Non-Labor Costs													
Time & Materials													
Owners Costs													
Transmission Projects													
Total Base Project Costs(2007 \$)	718,579	-	29	676	1,844	3,897	6,998	17,226	47,423	77,380	84,716	200,368	278,021
Total Project Contingency(2007 \$)	4,096,455	21,723	97,494	325,826	392,677	444,400	614,959	614,378	488,205	412,858	302,460	186,739	194,736
Total Project Commitment(2007 \$)	438,291	-	-	37,858	40,770	49,410	55,475	57,450	56,287	49,823	29,746	32,424	29,049
	4,534,746	21,723	97,494	363,684	433,447	493,810	670,434	671,828	544,492	462,681	332,206	219,162	223,785
Total Project Escalation	2,024,830	-	3,411	25,340	67,074	111,355	220,977	291,019	294,518	293,322	264,022	204,824	248,967
<b>Total Revised Project Cash Flow</b>	<b>6,559,576</b>	<b>21,723</b>	<b>100,905</b>	<b>389,024</b>	<b>500,521</b>	<b>605,164</b>	<b>891,411</b>	<b>962,846</b>	<b>839,011</b>	<b>756,003</b>	<b>596,227</b>	<b>423,986</b>	<b>472,752</b>
Cumulative Project Cash Flow(Revised)		21,723	122,629	511,653	1,012,174	1,617,339	2,508,750	3,471,596	4,310,607	5,066,610	5,662,837	6,086,824	6,559,576
AFUDC(Capitalized Interest)	315,739	645	3,496	15,973	23,979	28,098	36,328	45,517	45,035	39,297	25,923	22,789	28,659
Construction Work in Process		22,368	126,770	531,766	1,056,267	1,689,529	2,617,268	3,625,631	4,509,677	5,304,977	5,927,128	6,373,904	6,875,315

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Impact of Change in Construction Schedule  
(Thousands of \$)

V.C. Summer Units 2 and 3 - Summary of SCE&G Capital Cost Components

Original Filing vs. Revised Schedule

Plant Cost Categories	Actual			Projected								
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total	0	-	500	436	(2,176)	14,163	3,253	5,879	8,051	-	-	-
Fixed with No Adjustment	-	(30,206)	-	(24,750)	(6,050)	3,300	19,250	(17,875)	26,125	-	-	-
Firm with Fixed Adjustment A	-	(15,845)	(4,274)	(16,294)	7,565	15,247	(6,859)	12,333	7,090	272	(808)	1,573
Firm with Fixed Adjustment B	(0)	(19,848)	(56,285)	(84,910)	(32,681)	49,317	38,245	42,982	34,030	13,005	7,346	8,799
Firm with Indexed Adjustment	(173,529)	(1,035)	(9,473)	(15,597)	(42,589)	(26,675)	2,703	(5,505)	(36,656)	(28,664)	(9,760)	(277)
Actual Craft Wages	173,530	(2,946)	(3,462)	6,807	(15,356)	36,196	53,815	11,225	44,910	57,431	(7,627)	(7,463)
Non-Labor Costs	(0)	945	(1,181)	(1,151)	(4,604)	(7,020)	(7,940)	(5,302)	7,690	3,417	(8,475)	23,621
Time & Materials	0	251	4,043	9,110	4,129	(118)	(2,489)	(6,179)	(9,282)	6,858	(2,409)	(1,846)
Owners Costs	0	27	247	1,502	3,043	3,753	240	(2,179)	(2,460)	41,259	(8,965)	(36,466)
Transmission Projects	-	-	-	-	-	-	-	-	-	-	-	-
Total Base Project Costs(2007 \$)	-	251	(69,785)	(124,847)	(88,719)	88,163	100,216	35,379	79,498	93,578	(30,698)	(12,059)
Total Project Contingency(2007 \$)	-	-	9,968	-	-	-	-	-	-	-	-	-
Total Project Commitment(2007\$)	-	251	(59,817)	(124,847)	(88,719)	88,163	100,216	35,379	79,498	93,578	(30,698)	(12,059)